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HEADQUARTERS UNITED STATES MARINE CORPS
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LR IN REPLY REFER TO:

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14 OCT 1999

From: Commandant of the Marine Corps

Subj: INSTALLATION REFORM (IR) SCOREKEEPING POLICY

Ref: (a) CMC ltr 5320 LR of 26 Apr 99

(b) CMC ltr 4000 LR of 18 Mar 99

Encl: (1) Installation Reform Scorekeeping Policy

1. The IR Business Plan issued by the Assistant Commandant in reference (a) directed the establishment of a baseline for measuring the progress of IR initiatives and the development of a reporting system to keep score of savings. The enclosure provides a scorekeeping policy to complement the IR baseline developed in response to the data call issued by reference (b). The policy in enclosure (1) was developed to satisfy the need for an accurate, fair, and consistent methodology to track savings derived from IR initiatives that would achieve the following goals:

a. Credit IR savings as offsets against the modernization wedge already reflected in installation budgets and ensure that the savings derived from IR initiatives are not improperly targeted for end-year reductions as budgetary underexecutions;

b. Permit MARFORs, MATCOM and independent commands exceeding their share of the wedge to retain above-wedge savings and redistribute or apply them as appropriate to other high priority requirements;

c. Allocate the IR savings derived from regionalization initiatives equitably among participating commands;

d. Credit commands for IR savings achieved in appropriations other than O&MMC and FHN and apply these savings against the modernization wedge; and

e. Measure return on investment for IR initiatives.

2. The policy will be complemented by the IR Scorekeeping Database that will be made available for downloading from

INSTALLATION REFORM (IR) SCOREKEEPING POLICY

the Installation Reform Office's web-site on the DC/S I&L homepage at <http://www.hqmc.usmc.mil/ilweb.nsf> by 29 October 1999. The IR Scorekeeping Database will provide the Marine Corps with a uniform mechanism for documenting and reporting savings resulting from IR initiatives. The database will also relate directly to the functional and subfunctional categories in the Installation Business Model that were used to develop the IR baseline.

3. The first report using this policy and the IR Scorekeeping Database will be due on 15 January 2000. Quarterly updates are due on the 15th of the month following the close of each fiscal quarter thereafter. You may address any questions concerning the policy or the database to Major Robert Baker at (703) 695-5768 or DSN 225-5768.



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INSTALLATION REFORM (IR) SCOREKEEPING POLICY

1. Introduction.

Tracking savings realized in the pursuit of IR or "scorekeeping" is required to monitor the progress of Installation Reform across the Marine Corps. In addition, an accurate scorekeeping process will also ensure that the savings achieved are accurately credited against each installation's share of the modernization wedge and that MARFORs, MATCOM and independent commands are able to retain savings exceeding their goals and redistribute or apply them as appropriate to other unfunded priorities.

2. Policy.

a. All savings derived from IR initiatives, except those involving MPMC funds associated with reductions in military personnel, will be credited against the modernization wedge. DC/S (P&R) will assist installations in realigning savings as appropriate during the normal programming and budget formulation process. Savings will be calculated using the procedures outlined in paragraphs 3.a. and 3.b., below. Savings from appropriations other than O&MMC and FHN will be credited using the procedures outlined in paragraph 3.c., below. IR savings in MPMC funds will be used to realign the saved military billets to meet unfilled requirements in the Fleet Marine Force.

b. IR savings will be measured against cost data in the IR Baseline Report, using the categories outlined in the Installations Business Model and the correct standard fund codes within SABRS to tie budgeted dollars to the business model's subfunctions. CMC (LFI) will provide installations with a dictionary that maps existing fund codes to the model's subfunctions to ensure that savings are accurately measured against the baseline.

c. MARFORs, MATCOM and independent commands realizing savings from IR initiatives that exceed their share of the modernization wedge will be permitted to retain them for redistribution or application as appropriate to unfunded requirements.

d. All Marine Corps commands will aggressively seek out cooperative efforts and regionalization initiatives to achieve maximum savings for the Marine Corps, regardless of

Encl (1)

beneficiary. The MARFORs and MATCOM will ensure their subordinate commands aggressively pursue this policy with other Marine Corps and DoD commands. Savings will be credited using the guidance in paragraph 3.d., below.

3. Procedural guidance

a. Calculating savings. IR savings must be clearly related to a tangible and enduring reduction in resources that can be tied to budget resources. To distinguish one-time savings from recurring savings, one-time savings will be identified as a separate reporting category in the scorekeeping database. One-time savings will be credited in the year that they are realized. IR cost avoidances that will not result in either recurring or one-time reductions in budgeted resources shall not be identified as IR savings. Adhere to the following procedures when calculating savings to ensure consistency in reporting across commands:

(1) Calculating CIVPERS savings. Use actual cost for encumbered billets and GS Step 5 and WG Step 4 at the locality pay rate for vacant billets. Cost fringe benefits at the installation's average Direct Fringe rate.

(2) Calculating CIVPERS separation costs. Compute the actual costs incurred during the year of separation.

(3) Calculating non-labor savings. Use actual costs to calculate savings in the year in which they are realized.

(4) Determining military personnel costs. Apply the costs in the military composite rate table against actual authorizations. The military composite rate table may be viewed at www.dtic.mil/comptroller/rates/

(5) Calculating out-year savings. Since the modernization wedge reduced out-year budgets for \$O&MMC and \$FHN in inflated dollars, inflate savings projections for present-year savings reductions using NAVCOMPT's rate assumptions, published annually, to ensure full credit against the wedge in the out-years.

(6) Balancing programmed savings to reflect actual changes occurring during program execution. Request

realignments as appropriate in the year of execution if future recurring IR savings materialize in accounts other than those currently programmed for reductions.

b. To simplify tracking of savings and to ensure consistency in reporting, submit quarterly status reports using the IR Scorekeeping Database application distributed by CMC (LR). LR will publish a list of required data fields and a brief user's guide that will be located on the Installation Reform Office web-site on the DC/S I&L homepage at <http://www.hqmc.usmc.mil/ilweb.nsf> with the database by 29 October 1999.

c. To ensure IR savings involving funds other than O&MMC and FHN are fully credited against the modernization wedge, the following procedures will be pursued:

(1) Commands/activities shall identify all recurring savings resulting from IR initiatives that are achieved in non-O&MMC appropriations/allotments and request reprogramming action via the chain of command for savings exceeding \$50,000.

(2) Each IR reprogramming request shall include a summary description of the IR initiative(s) that support(s) it, along with an appropriate analysis/explanation of the savings.

(3) MARFORs/MATCOM shall review IR reprogramming requests from their installations to ensure accuracy and thoroughness before forwarding them to HQMC. Forwarding endorsements should include a summary of the review, value-added analysis where appropriate, and a recommendation for resolution of the request.

(4) DC/S (P&R) will initiate reprogramming action to the O&MMC appropriation from the appropriation/allotment where recurring savings have been identified. P&R will then allocate reprogrammed funds to the saving command's O&MMC authorization. Operative policy is to reprogram such savings dollar for dollar unless otherwise justified by the Appropriation Sponsor.

d. IR initiatives associated with intra-service and inter-service support will use the following guidelines to allocate savings credit:

(1) Host/tenant relationships:

(a) Host or supporting activity initiated savings initiatives that benefit tenant are credited to the tenant.

(b) Host or supporting activity initiated savings that benefit host or supporting activity are credited to the host or supporting activity.

(c) Tenant initiated savings that benefit tenant are credited to the tenant.

(d) Tenant initiated savings that benefit host or supporting activity are credited to the host or supporting activity.

(2) Regional Initiatives

(a) The gaining command for a given regional initiative will receive a Budget Base Transfer from all participating commands for the function being regionalized. The gaining command will also receive a share of the wedge from each contributing command proportional to the regionalized function's portion of the contributing command's baseline.

(b) The contributing command's wedge is likewise reduced proportional to the transferred function's portion of its baseline.

(c) Each command/activity is responsible for reporting Letter of Allowance (LOA) changes that result from regionalization efforts to CMC (RFO).

4. Glossary of Key Terms and Acronyms.

a. Key Terms

Activity Direct Fringe Rate: The calculation of civilian labor fringe benefits at an activity. The activity's direct fringe rate includes the total of all direct funded costs for Government fringe benefits estimated to be expensed for

civilian retirement, life insurance, health benefits, Social Security, and Medicare and is determined by dividing the activity's estimated total fringe benefits by its total basic compensation.

Authorizations: The chargeable military billets listed on the installation's Table of Organization (T/O).

Baseline: The initial FY1999 installation resource and spending profile in O&MMC and FHN funds. This baseline will be used in the scorekeeping process to determine savings.

Budget Base Transfer: A transfer of funds from one budget entity to another. Program content neither increases nor decreases; it merely transfers.

Budget Execution: That phase of the budget cycle which encompasses all actions required to accomplish effectively, efficiently, and economically the programs for which funds were requested and approved by competent authority.

Business Process Reengineering: The fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed.

Competitive Sourcing: Competing the cost of in-house government performance versus the cost of performance by the private sector using procedures in OMB Circular A-76.

FTE (Full-time Equivalent) Targets: The positions listed on the installation's Letter of Allowance (LOA).

Fund Code: A two position code representing selected appropriation data. In the Standard Accounting, Budgeting and Reporting System (SABRS) the fund code represents the Appropriation Symbol, Subhead, Program Element Number (PEN), Navy Activity Group/Subactivity Group (AG/SAG) and Program Package Code (PPC). MCO 7301.65R describes the use of the fund code in the DoD supply system to charge ordering activity funds for supplies requisitioned through the DoD supply system.

Host Activity: A host activity is one which provides facilities to another activity. A host activity may also provide services.

Installation Reform: That component of the Marine Corps' Revolution in Business Affairs focused on reforming business practices across Marine Corps installations.

Military Composite Standard Pay and Reimbursement Rates: Service-wide composite military pay rates based on pay and allowances that are to be charged for reimbursements for services provided and to be used in determining the cost of military personnel in management studies. Rates are calculated for military pay grades from E-1 to O-10.

Modernization Wedge: The \$425.9 million that has been realigned in FYs 2000-05 from installation budgets into modernization accounts, to procure equipment that our Marines will need to win 21st century battles. A share of the wedge has been allocated to each base and to C4I regionalization/competition.

Performance Metrics: Outcome-oriented or output-oriented measures used to determine levels of service in functions and subfunctions in the Installations Business Model.

Privatization: The process of changing a public entity or enterprise to private control and ownership. It does not include determination as to whether a support service should be obtained through public or private resources, when the Government retains full responsibility and control over the delivery of those services.

Regionalization: The consolidation or realignment of functions either geographically or organizationally to streamline operations and to achieve savings by eliminating unnecessary overhead and management layers and redundant positions and functions.

Savings: Tangible and enduring reductions in resources that will result in reductions in budgeted resources without compromising delivery of goods and services to the Fleet Marine Force. Cost avoidances that will not result in reductions in budgeted resources should not be identified as savings.

Scorekeeping: The establishment of a baseline and the tracking of savings realized in the pursuit of Installation Reform.

Separation Costs: The costs associated with severing or transferring a civilian employee. Separation costs include items such as severance pay, homeowner assistance, and relocation and retraining expenses.

Supporting Activity: A supporting activity is one which generally provides only services to another activity.

Tenant: A tenant activity is one which uses facilities and/or receives services from another activity.

b. Acronyms.

BBP: Better Business Practices

BPR: Business Process Reengineering

BRI: Business Reform Initiatives

CRI: Cost Reduction Initiatives

FHN: Family Housing, Navy

HQMC: Headquarters, Marine Corps

IR: Installation Reform

O&MMC: Operations and Maintenance, Marine Corps

RBA: Revolution in Business Affairs